

5. (a) Define the following terms indicated in bold in the text: [2 marks]

(i) **dumping (paragraph ①)**

level

0 *Wrong definition* 0

1 *Vague definition* 1

The idea that it is the cheap selling of goods in another country.

2 *Precise definition* 2

An explanation that it is the selling of a good in another country at a price below its cost of production.

(ii) **comparative advantage (paragraph ②).** [2 marks]

level

0 *Wrong definition* 0

1 *Vague definition* 1

The idea that one country is able to produce a good more cheaply than another.

2 *Precise definition* 2

An explanation that one country is able to produce a good at a lower opportunity cost than another.

- (b) **With the help of a supply and demand diagram, show the effects of the US tariff on imported steel.** **[4 marks]**

level

- |   |  |            |
|---|--|------------|
| 0 | <i>Inappropriate answer</i>  | <b>0</b>   |
| 1 | <i>Identification of appropriate theory</i><br>For drawing a correctly labelled diagram, showing the effect of a tariff on imported steel <b>or</b> for providing an explanation of how a tariff will lead to greater domestic production and a fall in the level of imported steel.       | <b>1-2</b> |
| 2 | <i>Correct application of appropriate theory</i><br>For drawing a correctly labelled diagram, showing the effect of a tariff on imported steel <b>and</b> for providing an explanation of how a tariff will lead to greater domestic production and a fall in the level of imported steel. | <b>3-4</b> |

- (c) **With the help of an appropriate diagram, explain *one* other protectionist policy (other than a tariff), which the American government might use to support the domestic steel industry.** **[4 marks]**

level

- |   |  |            |
|---|--|------------|
| 0 | <i>Inappropriate answer</i>  | <b>0</b>   |
| 1 | <i>Identification of appropriate theory</i><br>For drawing a correctly labelled diagram, showing the effect of a protectionist policy (other than a tariff) on the steel industry <b>or</b> for providing an explanation of how a protectionist policy (other than a tariff) will lead to greater domestic production and a fall in the level of imported steel.       | <b>1-2</b> |
| 2 | <i>Correct application of appropriate theory</i><br>For drawing a correctly labelled diagram, showing the effect of a protectionist policy (other than a tariff) on the steel industry <b>and</b> for providing an explanation of how a protectionist policy (other than a tariff) will lead to greater domestic production and a fall in the level of imported steel. | <b>3-4</b> |

- (d) Using information from the text and your knowledge of economics, evaluate the arguments for and against the protectionism in the steel industry.

*[8 marks]*

Responses may include:

- discussion of dumping
- discussion of “unfair” foreign trade
- effects on employment
- short term versus long term effects
- discussion of comparative advantage
- discussion of efficiency
- any reasonable answer.

Examiners should be aware that candidates may take a different approach, which if appropriate should be rewarded.

Effective evaluation may be to:

- consider short run versus long run consequences
- examine the impact on different stakeholders
- discuss advantages and disadvantages
- prioritize the arguments

#### Level

|   |   |     |
|---|---|-----|
| 0 | No valid discussion.  | 0   |
| 1 | Few relevant concepts recognized.<br>Little discussion or only basic understanding.   | 1-2 |
| 2 | Relevant concepts recognized and developed in reasonable depth.<br>Some attempt at application and analysis.                      | 3-5 |
| 3 | Relevant concepts developed in reasonable depth, demonstrating effective evaluation, supported by appropriate evidence or theory. | 6-8 |